

EXHIBIT A



ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.

199 Water Street, 24th Floor, New York, New York 10038 · Tel. (646) 794-0500 · Fax (646) 794-0611

(hereinafter called the "Company")

**COMMERCIAL PROPERTY POLICY
DECLARATIONS**

POLICY NUMBER: 5121-0110-04

RENEWAL OF: 5121-0110-03

ITEM 1.

Named Insured: Porter's Neck Country Club, Inc
Address: 8403 Vintage Club Dr
Wilmington MC 28411

ITEM 2.

Policy Period:

From: 10/18/2017 **To:** 10/18/2018

at 12:01 A.M. Standard Time at the location of property insured as stated in the Schedule of Locations.

ITEM 3.

Limit of Insurance:

| | | |
|----|-----------|---|
| \$ | 7,232,800 | Blanket Real & Personal Property, Per Occurrence |
| \$ | 200,000 | EDP |
| \$ | 100,000 | Fine Arts |
| \$ | 1,000,000 | Golf Holes, including debris removal which is subject to a maximum limit of \$250,000. The limit for Debris Removal does not increase the Golf Holes limit of insurance. |
| \$ | 500,000 | Golf Course Property |
| \$ | 200,000 | Trees & Landscaping, including Debris Removal, not to exceed \$ 5,000 per tree or any other single item |
| \$ | 750,000 | Business Interruption & Extra Expense |
| \$ | 100,000 | Personal Property of Others |

The Sub-limits of Liability listed herein or in any attached endorsements are part of, and not in addition to, the Per Occurrence, Blanket Real and Personal Property listed above. These Sub-limits of Liability and the specified limits of liability contained in the forms, endorsements and extensions attached, if any, are per Occurrence for all Locations and coverages, unless otherwise indicated.

Sub-limits (Limits apply per occurrence, unless otherwise specified)

| | | |
|----|-----------|--|
| \$ | 1,000,000 | Earthquake Coverage Sub Limit – Per Occurrence and in the Annual Aggregate |
| \$ | 15,000 | Accounts Receivable |
| \$ | 50,000 | Civil Authority within a 5 mile radius of covered location |
| \$ | 50,000 | Claims Preparation / Professional Fees |
| \$ | 100,000 | Consequential Loss |
| \$ | 150,000 | Debris Removal: Real & Personal Property and Golf Course Property at each described premises |
| \$ | 1,000,000 | Demolition and increased cost of construction |
| \$ | 100,000 | Errors & Omissions, Excludes perils of Earthquake and Flood |
| \$ | 25,000 | Exhibition, Fair or Trade Show |
| \$ | 100,000 | Fire Department Service Charge |
| \$ | 10,000 | Furs, Fur Garments and Garment containing fur, jewels, jewelry and watches |
| \$ | 50,000 | Ingress/Egress within a 5 mile radius of covered location |
| \$ | 250,000 | Leasehold Interest – Undamaged Improvements and Betterments |
| \$ | 250,000 | Miscellaneous Unnamed Locations, Excluding Business Interruption, perils of Flood & Earthquake |
| \$ | 250,000 | Newly Acquired Real & Personal Property for a period of 120 days. If not reported within that 120 days, coverage ceases, per building |
| \$ | 10,000 | Pearls, Precious and Semi- Precious Stones, Bullion, Gold, Silver, Platinum and other Precious Alloys and Metals |
| \$ | 50,000 | Pollutant Clean Up and Removal, annual aggregate |
| \$ | 25,000 | Property in Transit |
| \$ | 50,000 | Rental Value |
| \$ | 25,000 | Service Interruption, Real & Personal Property and Business Income, Excluding Overhead Transmission & Distribution Lines, within 5 miles, 24 Hour Waiting Period Applies |
| \$ | 15,000 | Valuable Papers and Records (Other than Electronic Data) at each described premises |

Premium from all coverages excluding Terrorism: \$ 55,455.00

Premium from Terrorism Coverage: \$ Rejected

Total Premium: \$ 55,455.00

In the event of cancellation of this policy by the Insured, a minimum premium of 25% of the Total Premium shall become earned, any provision of the policy to the contrary notwithstanding.

Failure of the Insured to make timely payment of premium shall be considered a request by the Insured for the Company to cancel on the Insured's behalf. In the event of such cancellation for non-payment of premium, the minimum earned premium shall be due and payable; provided, however, such cancellation shall be rescinded if the Insured remits and the Company receives the full policy premium within 10 days after the date of issuance of the cancellation notice. Such remittance and acceptance by the Company shall not affect the minimum earned premium provision of this endorsement. In the event of any other cancellation by the Company, the earned premium shall be computed pro-rata and shall not subject to the minimum earned premium.

ITEM 4. Perils: "All Risks" of direct physical loss or damage including Boiler & Machinery, except as excluded in the policy

ITEM 5. Description of Property Covered: Golf and Country Club operations

ITEM 6. Mortgagee Clause: Loss, if any shall be payable to:

ITEM 7. Forms Attached: CC 00100 00 (09/13); AWBLANK 0105; AWBLANK EQB 0105; VSL 00022 00 (03/16)

ITEM 8. Producer: Venture Insurance Programs
1301 Wright's Lane East
West Chester, PA 19380

ITEM 9. Service of Suit Clause


In the event of failure of the Company to pay any amount claimed to be due hereunder, the Company, at the request of the Insured, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the Company's rights to commence an action in any court of competent jurisdiction in the United States to remove an action to a United States District Court or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Counsel, Legal Department, Allied World Assurance Company (U.S.) Inc., 225 Franklin Street, 27th Floor, Boston, Massachusetts, 02110-2804, or his or her representative, and that in any suit instituted against the Company upon this policy, the Company will abide by the final decision of such court or of any appellate court in the event of an appeal.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefor, the Company hereby designates the Superintendent, Commissioner or Director of Insurance, other officer specified for that purpose in the statute, or his successor or successors in office as its true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by or on behalf of the Insured or any beneficiary hereunder arising out of this policy of insurance and hereby designates the above named Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ITEM 10. Government Activity Clause

The Company shall not be liable for loss or damage caused by or resulting from: (1) the seizure or destruction of property insured by this policy by any government body, including any customs or quarantine action, or (2) confiscation or destruction of any property by order of any government or public authority, except an order to destroy property to prevent the spread of fire or explosion.

IN WITNESS HEREOF, the Company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned in these Declarations by one of our duly authorized representatives.



Authorized Representative

ANY REFERENCE IN THE POLICY FORM TO CONTACT IN WRITING THE COMPANY'S CLAIM OR LEGAL DEPARTMENTS SHOULD USE THE ADDRESSES PROVIDED BELOW.

ATTN: Claim Department
Allied World Assurance Company (U.S.) Inc.
2 Liberty Square, 11th Floor
Boston, MA 02109

ATTN: Legal Department
Allied World Assurance Company (U.S.) Inc.
2 Liberty Square, 11th Floor
Boston, MA 02109

Certified

SCHEDULE OF COVERED LOCATIONS

Named Insured: Porter's Neck Country Club, Inc

Effective Date: 10/18/2017

Policy Number: 5121-0110-04

| Loc No | Bldg No | Designated Locations (Address, City, State, Zip Code) | Occupancy |
|--------|---------|--|--|
| 1 | All | 8403 Vintage Club Dr Wilmington NC 28411 | As Per Statement Of Values on file with the company |
| | | | |

CC 00100 00 (09/13)

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ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.

THE APPROACH ALL RISK PROPERTY FORM

The Company does insure, subject to the terms, conditions, definitions, exclusions, limitations and provisions contained herein the Named Insured, as stated in ITEM 1. of the Declarations, hereinafter referred to as the Insured. Words that appear in quotation marks have special meaning and are defined throughout the policy.

1. TERMS OF INSURANCE

In consideration of the premium charged, the policy attaches and covers losses occurring during the Policy Period, as stated in ITEM 2. of the Declarations, at the location of property insured.

2. LIMITS OF LIABILITY

The Company insures up to and shall not be liable for more than the Limit of Liability as stated in ITEM 3. of the Declarations.

3. SUBLIMITS OF LIABILITY

The Company insures up to and shall not be liable for more than the Sublimits of Liability (where applicable) as stated in ITEM 3. of the Declarations. Sublimits of Liability are within, and do not increase, the Limits of Liability stated in ITEM 3. of the Declarations.

4. DEDUCTIBLES

All loss, damage, and/or expense arising out of any one Occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of \$25,000, except:

- A. Business Interruption: As respects to "Business Interruption", no liability shall exist under this policy for any "Business Interruption" loss at the property covered hereunder unless the determined period of interruption exceeds a 24 hour Waiting Period, which shall commence immediately upon the interruption of business. Once the 24 hour Waiting Period has been satisfied, liability shall then exist only for that part of the "Business Interruption" loss that is in excess of the 24 hour Waiting Period. This Waiting Period shall not apply to "Extra Expense".
- B. Named Storm: The following sum(s) shall be deducted from any adjusted loss due to "Named Storm":

5% of the value per "Unit of Insurance" at the time of loss or damage at each location involved in the loss or damage, subject to a minimum of \$100,000 for any one occurrence (or as otherwise provided by endorsement hereto);

"Named Storm" shall mean a storm or weather condition that has sustained speeds of least thirty nine miles per hour, to which a name has been assigned by, and has been declared by, the United States National Weather Service to be a hurricane, tropical cyclone, typhoon or tropical storm.

All references herein to "Tier I", "Tier I Windstorm" or similar "Tier I" references shall mean all locations situated within Tier I States or Counties or Parishes as specified below:

Alabama: Baldwin, Mobile;

Florida: Entire State of Florida;

Georgia: Bryan, Camden, Chatham, Glynn, Liberty, McIntosh;

Louisiana: Cameron, Iberia, Jefferson, Lafourche, Orleans, Plaquemines, St. Mary, St. Bernard, St.

Tammany, Terrebonne, Vermilion;

Mississippi: Hancock, Harrison, Jackson;

North Carolina: Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Hyde,

New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington;

South Carolina: Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper;

Texas: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Victoria, Willacy;
Virginia: Accomack, Chesapeake, Essex, Gloucester, Hampton, Isle of Wight, James City, King George, Lancaster, Mathews, Middlesex, Newport News, Norfolk, Northampton, Northumberland, Poquoson, Portsmouth, Richmond, Stafford, Suffolk, Surry, Virginia Beach, Westmoreland, Williamsburg, York.

"Unit of Insurance" shall mean the following:

- (1) Each separate building and/or process unit and/or structure; or
- (2) The contents of each separate building and/or process unit and/or structure; or
- (3) Each separate tank structure; or
- (4) The contents of each tank structure; or
- (5) All other property and vehicles (if covered under this policy) in each yard and/or outside of any building and/or structure.

If two or more deductible amounts in this policy apply to a single Occurrence, the total to be deducted shall not exceed the largest deductible applicable;

C. Earthquake: The following sum(s) shall be deducted from any adjusted loss due to "Earthquake":

- (1) \$25,000 Any One Occurrence

If two or more deductible amounts in this policy apply to a single Occurrence, the total to be deducted shall not exceed the largest deductible applicable;

5. LOSS PAYEE

Loss, if any, shall be adjusted with and payable to the Named Insured or their order, unless endorsed otherwise hereon. Receipt of payment by the Insured or Loss Payee as provided under this policy shall constitute a release in full of all liability under this policy with respect to such loss. In the event that the Company makes a partial payment or payments of loss, release in full of all liability shall occur upon final payment with respect to such loss.

6. TERRITORY

This policy covers property located within the 50 states comprising the United States of America, the District of Columbia and Canada.

7. COVERAGE

Except as hereinafter excluded, this policy covers:

A. REAL AND/OR PERSONAL PROPERTY

- (1) The interest of the Insured in all Real and/or Personal Property, including improvements and betterments and alterations owned or used by the Insured, as stated in the Schedule of Covered Locations attached to and forming a part of this policy, or hereinafter constructed, erected, installed, or acquired.

In the event of loss or damage, the Company agrees to accept and consider the Insured as sole and unconditional owner of improvements and betterments, unless otherwise stated by contract or lease agreement.

- (2) The interest of the Insured in Real and Personal Property of others in the Insured's care, custody, or control, including but not limited to Personal Property of members and guests.

- (3) Personal Property of the Insured's officers and employees while on premises of the Insured, for which values have been declared and for which a sublimit of liability is indicated in ITEM 3. of the Declarations.
- (4) Contractors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract.

B. GOLF COURSE PROPERTY

"Golf Course Property" means manmade outdoor structures and fixtures on the golf course including, but not limited to, bridges, towers, pipes, dams, exterior light fixtures and poles, in-ground sprinkler systems and equipment, tennis courts, television and radio satellite dishes and antennas, fences, bulkheads, pilings, piers, wharves, docks, retaining walls, roadways, walks, patios, other paved surfaces, outdoor signs, lightning detection/warning systems, foundations, and swimming pools.

C. GOLF HOLES

"Golf Holes" means cut and maintained playing surfaces normal to the operation of a golf course including, but not limited to, tees, greens, fairways, roughs, driving ranges, bunkers and sand traps. Trees and Landscaping are not included.

D. TREES AND LANDSCAPING

"Trees and Landscaping" shall mean trees, subject to the distance limit set forth in the Declarations, and all other natural ornamental improvements including, but not limited to shrubs, bushes, and flowers.

E. BUSINESS INTERRUPTION

"Business Interruption" shall mean loss resulting from necessary interruption of business conducted by the Insured and caused by direct physical loss or damage by any of the perils covered herein during the term of this policy to Real and/or Personal Property as covered herein.

If such loss occurs during the term of this policy, it shall be adjusted on the basis of the actual loss sustained by the Insured, during the period of restoration, consisting of the net profit (or loss) which is thereby prevented from being earned and of all charges and expenses (excluding ordinary payroll), but only to the extent that they must necessarily continue during the interruption of business, and only to the extent to which they would have been incurred had no loss occurred.

"Ordinary payroll" shall mean the entire payroll expenses for all employees of the Insured except officers, Executives and department managers.

The Company shall not be liable for any loss resulting from the time required to reproduce "Finished Stock". "Finished Stock" shall mean stock manufactured by the Insured which in the ordinary course of the Insured's business is ready for packing, shipment, or sale.

- (1) RESUMPTION OF OPERATIONS:** It is a condition of this insurance that if the Insured could reduce the loss resulting from the interruption of business,

- (a) by a complete or partial resumption of operations; or
- (b) by making use of other available stock, merchandise or location;

such reduction will be taken into account in arriving at the amount of loss hereunder, but only to the extent that the "Business Interruption" loss covered under this policy is thereby reduced.

- (2) EXPENSE TO REDUCE LOSS:** This policy also covers such expenses as are necessarily incurred for the purpose of reducing any "Business Interruption" loss under this policy, provided such coverage shall not exceed the amount by which the "Business Interruption" loss covered under this policy is thereby reduced.

- (3) **EXPERIENCE OF BUSINESS:** In determining the amount of net profit (or loss), charges and expenses covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the Insured's business before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

F. EXTRA EXPENSE

"Extra Expense" shall mean the excess cost necessarily incurred to continue the operation of the Insured's business or facility that would not have been incurred had there been no loss or damage by any of the perils covered herein during the term of this policy to Real and/or Personal Property as covered herein.

G. RENTAL VALUE

"Rental Value" shall mean loss sustained by the Insured resulting directly from the necessary untenantability, during the period of restoration, caused by loss, damage or destruction by any of the perils covered herein during the term of this policy to Real and/or Personal Property as described in the previous paragraphs, but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue during the period of untenantability.

- (1) **RENTAL VALUE:** For the purpose of this insurance "Rental Value" is calculated as the sum of:

- (a) the total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the Insured, and
- (b) the amount of all continuing charges which are the legal obligation of the tenant(s) and which, because of the loss, become obligations of the Insured, and
- (c) the fair "Rental Value" of any portion of said property which is occupied by the Insured.

- (2) **EXPENSE TO REDUCE LOSS:** This policy also covers such expenses as are necessarily incurred for the purpose of reducing any "Rental Value" loss covered under this policy. Such coverage, however, shall not exceed the amount by which the loss under this policy is thereby reduced.

- (3) **EXPERIENCE OF THE BUSINESS:** In determining the amount of "Rental Value" covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the rental experience before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

H. ADDITIONAL PROVISIONS APPLICABLE TO BUSINESS INTERRUPTION, EXTRA EXPENSE AND RENTAL VALUE COVERAGE

- (1) **PERIOD OF RESTORATION:**

"Period of Restoration" shall mean the period of time that:

- (a) Begins with the date of direct physical loss or damage by any of the perils covered herein, at the described premises; and
- (b) Ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality.

"Period of Restoration" does not include any increased period required due to the enforcement of any ordinance or law that requires the Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects of "Contaminants" or "Pollutants" as defined in Section 10. Perils Excluded, Paragraph M.

The expiration date of this policy will not cut short the period of restoration.

(2) EXTENDED PERIOD OF INDEMNITY

In consideration of the premium charged, it is agreed that this policy is extended to cover actual loss sustained as a result of a covered "Business Interruption", "Extra Expense" or "Rental Value" loss that:

1. Begins on the date property is actually repaired, rebuilt or replaced and "Operations" are resumed; and
2. Ends on the earlier of:
 - (i) The date "Operations", with due diligence, are restored to the condition that would have existed had no direct physical loss or damage occurred; or
 - (ii) 180 consecutive days after the date that the property is actually repaired, rebuilt or replaced and "Operations" are resumed.

Coverage under this clause is within and does not increase the Sublimits of Liability for Business Interruption and Extra Expense and/or Rental Value as stated within this policy.

"Operations" means:

- (a) business activities of the Insured, occurring at the covered premise(s); or
- (b) the tenantability of a covered premise(s) where "Rental Value" applies.

(3) SPECIAL EXCLUSIONS: This policy does not insure against any increase of which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order, nor for any increase of loss due to delays in rebuilding, repairing, or replacing the property damaged or destroyed or with the resumption or continuation of business, or with the reoccupancy of the premises caused by interference at the Insured's premises by strikes or other persons nor for any increase of loss which may be occasioned by loss or damage to "Property in Transit" away from the Insured's premises.

(4) EXTENSION OF COVERAGE: This policy, subject to all of its provisions and without increasing the Limit of Liability and Sublimits of Liability stated in ITEM 3. of the Declarations, also provides coverage for interruption of business conducted by the Insured resulting from loss or damage, by the perils insured against, during the term of this policy, to:

- (a) Service Interruption_ public utility plants, transformers or switching stations, substations furnishing heat, light, power, water, telephone or gas to the Insured's premises, but within five statute miles of the premises;
- (b) Ingress/Egress_ any property thereby preventing ingress to or egress from the Insured's premises, for a period not exceeding two (2) weeks;
- (c) Civil or Military_ any property when access to the premises is prohibited by order of civil or military authority, for a period not exceeding two (2) weeks.

I. VALUABLE PAPERS AND RECORDS

"Valuable Papers and Records" shall mean written, printed or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro inscribed documents, manuscripts and media, but not including "Electronic Data Processing Data", "Electronic Data Processing Programs", money and "Securities".

"Securities" shall mean all negotiable and non-negotiable instruments or contracts representing either money or other property and includes revenue and other stamps in current use, tokens and tickets, but does not include money.

J. ELECTRONIC DATA PROCESSING EQUIPMENT, MEDIA, DATA AND PROGRAMS

- (1) "Electronic Data Processing Equipment" shall mean electronic data processing systems including keyboards, display screens, terminals, printers and related peripheral equipment.
- (2) "Electronic Data Processing Media" shall mean magnetic tapes, compact discs, diskettes, disk packs, cards or other standardized data recording materials which can be read by "Electronic Data Processing Equipment";
- (3) "Electronic Data Processing Data" shall mean information, instructions or programs that are recorded on your media, including original source material used to enter data
- (4) "Electronic Data Processing Programs" shall mean software that are purchased or written specifically to be used with "Electronic Data Processing Equipment".

K. PROPERTY IN TRANSIT

"Property In Transit" shall mean shipments within and between the territorial limits of this policy including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter, while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound or inbound shipment; including during unavoidable deviation and delay; until safely delivered into the place of final destination.

This insurance is extended to cover loss or damage to property:

- (1) Sold and shipped by the Insured under terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery;
- (2) Occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents;

The Insured may waive right(s) of recovery against private and contract carriers and accept bills of lading or receipts from carriers, bailees, warehousemen, or processors limiting their liability, but this transit insurance shall not inure to the benefit of any carrier, bailee, warehousemen, or processor;

With respect to shipments made under F.O.B. point of origin or similar terms, this Company agrees to waive its rights of subrogation against consignees at the option of the Insured.

The Insured is not to be prejudiced by any agreements exempting lightermen from liability.

Seaworthiness of any vessel or craft is admitted between the Company and the Insured.

L. DEMOLITION AND INCREASED COST OF CONSTRUCTION

In the event of loss or damage under this policy, by any of the perils covered herein, during the term of this policy, to real property covered herein, that causes the enforcement of any law or ordinance regulating the construction or repair of the damaged facilities, subject to the sublimit of liability specified in ITEM 3. of the Declarations, this policy provides coverage for:

- (1) The cost of demolishing the undamaged facility including the cost of clearing the site;
- (2) The value of such undamaged part of the facility which must be demolished;
- (2) The increased cost of repair or reconstruction of the damaged facility on same or another site limited to the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property and the cost thereof on the same site. However, the Company shall not be liable for any increased cost of construction loss unless the damaged facility is actually rebuilt or replaced within two years; and

- (4) Any increase in the "Business Interruption", "Extra Expense" or "Rental Value" loss arising out of the additional time required to comply with such law or ordinance. This increase will be based upon the difference between the additional time required to comply with the law or ordinance and the time it would have taken to replace the property with materials of like kind and quality, absent such law or ordinance.

M. DEBRIS REMOVAL

This policy shall cover the necessary and reasonable expenses actually incurred by the Insured for removal of debris of property covered hereunder resulting from damage to covered property by a peril Insured against.

This coverage does not apply to costs to:

- (1) Extract "Contaminants" or "Pollutants" from the debris; or
- (2) Extract "Contaminants" or "Pollutants" from land or water; or
- (3) Remove, restore or replace contaminated or polluted land or water; or
- (4) Remove or transport any property or debris to a site for storage or decontamination required because the property or debris is affected by "Contaminants" or "Pollutants", whether or not such removal, transport, or decontamination is required by law or regulation.

It is a condition precedent to recovery under this extension that the Company shall have paid or agreed to pay for direct physical loss or damage to the property insured hereunder and that the Insured shall give written notice to the Company of intent to claim for cost of removal of debris or cost to clean up not later than one hundred eighty (180) days after the date of such physical loss or damage.;

This coverage does not increase the Limit of Liability or Sublimits of Liability stated in ITEM 3. of the Declarations.

N. NEWLY ACQUIRED PROPERTY

This policy is automatically extended to cover additional property as described in this policy which may be purchased, leased or acquired during the policy period, subject to the Sublimit of Liability stated in ITEM 3. of the Declarations.

The value of such additional property or properties upon which liability is hereby assumed by this Company shall be reported to this Company within ninety (90) days from the date on which the insured acquires an insurable interest in such property or properties failing which, this Company shall be relieved of all liability as assumed hereunder on such property or properties, from date of acquisition until such time as values are reported to, and received by, this Company.

The premium for any newly acquired property declared under this policy shall be due and payable at the time reported and shall be calculated pro rata of the rate applying at such property or properties, from the date on which the insured acquires an insurable interest in such property or properties to the expiration of this policy.

O. FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES

In the event of loss or damage to covered property by a peril Insured against, this policy shall cover:

- (1) Fire brigade and other extinguishing expenses for which the Insured may be assessed; and
- (2) The cost of fire extinguishing materials expended.

P. CONSEQUENTIAL LOSS

The Company will pay for:

- (1) Loss of "Perishables Goods" due to spoilage;
- (2) Loss of "Perishable Goods" due to contamination from the release of refrigerant, including but not limited to ammonia; and
- (3) Any necessary expenses you incur to reduce the amount of loss under this coverage. The Company will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

The Company will not pay for loss or damage as a result of your failure to use all reasonable means to protect the "Perishable Goods" from damage following a covered Loss.

"Perishable Goods" shall mean personal property maintained under controlled conditions for its preservation and susceptible to loss or damage if the controlled conditions change.

Q. LEASEHOLD INTEREST

1. This policy provides coverage for the leasehold interest of the Insured.

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- i. The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- ii. Improvements and betterments to real property which are not covered under any other section of this policy; and
- iii. The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenantable by any covered loss during the term of this policy and the lease is canceled by the party not the Named Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

2. Interest of the Insured as a Lessee or Lessor

- (a) "The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenantable by any covered loss during the term of this policy and the lease is canceled by the party not the Named Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.
- (b) "The Interest of the Insured as Lessee or Lessor" as referred to herein shall be paid for the first three months succeeding the date of the loss and the "Net Lease Interest" shall be paid for the remaining months of the unexpired lease.

3. It is understood and agreed that in the event that an insured physical loss or damage results in both loss of Rental Income and/or "Rental Value" and loss of "The Interest of the Insured as Lessor", the provisions and Limit of Liability of the Rental Income and "Rental Value" coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and Limit of Liability shall be applied and commence at the cessation of the Rental Income and "Rental Value" coverage and continue until the expiration of the lease.

The Insurer shall not be liable for any increase of loss which may be occasioned by the suspension, lapse or cancellation of any license or by the Named Insured exercising any option to cancel the lease. Furthermore, the Named Insured shall use due diligence including all things reasonably practicable to diminish loss under this Clause and under Clause 7.G.. Rental Value.

"The Interest of the Insured as Lessee" shall mean the following:

- (a) the excess of the "Rental Value" of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease; and
- (b) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.

"The Interest of the Insured as Lessor" shall mean the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.

"Net Lease Interest" means that sum which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor".

R. LOCK AND KEY REPLACEMENT

The Company will pay for consequential loss to locks and keys if a master or grand master key is lost or damaged. This coverage does not apply to keys in the possession of former employees. The Company will pay for the actual cost of keys, the adjustment of locks to accept new keys, or if required, new locks including the cost of their installation.

8. PROPERTY EXCLUDED

This policy does not cover the following:

- A. Money; coins, currency, bullion, notes, securities, stamps, food stamps, letters of credit, telephone cards, tickets, accounts, bills, deeds, evidence of debt;
- B. Land and soil except that which is described under "Golf Holes"; water, including ground water, surface water, process water and drinking water; growing crops; drying crops; standing timber; and animals except animals held for research and then only for the perils of fire, wind, hail, aircraft, riot or civil commotion, vehicle, explosion and smoke;
- C. Cost of excavations, filling, back filling and grading, except with respect to a covered loss with respect to "Golf Holes";
- D. Underground pipes, flues and drains, except those forming part of the Insured's irrigation or sprinkler system used to maintain "Golf Holes";
- E. Wells; brick, stone or concrete foundations or footings of any kind;
- F. Watercraft; aircraft; any type of motor vehicles licensed for highway use, when not on the Insured's premises; railroad rolling stock;
- G. Waterborne shipments to and from Hawaii or Alaska;
- H. Export shipments after loading on board an overseas vessel or after ocean marine insurance attaches, whichever occurs first; and import shipments until they have been discharged from the overseas vessel or until the ocean marine insurance terminates, whichever occurs last;

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- I. Property sold on installment, conditional sale, trust agreement or other deferred payment plan, after delivery to customers, whether or not the insured retains title to such property;
- J. Shipments by mail and/or parcel post;
- K. Power transmission and feeder lines not on the Insured's premises;
- L. Contraband or property in the course of illegal transportation or trade.

9. PERILS INSURED AGAINST

This policy insures against all risks of direct physical loss of or damage to property described herein including general average, salvage and all other similar charges on shipments covered hereunder, if any, except as hereinafter excluded.

10. PERILS EXCLUDED

This policy does not insure against loss or damage caused directly or indirectly by any of the following excluded perils and such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss:

- A. Any loss or damage resulting from, or arising out of, fraudulent or dishonest or criminal act or acts committed by the Insured or any of the Insured's employees or others to whom the property may be delivered or entrusted;
- B. Inventory shortage or unexplained disappearance;
- C. The cost of making good defective design or specifications, faulty materials or faulty workmanship. But, if loss or damage from a covered peril herein results, to covered property, from such defective design or specifications, faulty material or faulty workmanship, then this policy will cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
- D. Loss or damage caused by, arising out of, contributed to, or resulting from:
 - (1) Moth, vermin, termites or other insects;
 - (2) Inherent vice, latent defect, rust, wet or dry rot;
 - (3) Dampness of atmosphere, smog or extremes in temperature, marring, scratching, change in color or finish, contamination by pollutants or any other foreign matter;
 - (4) Fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;
 - (a) Fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;
 - (b) Mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
 - (c) Spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms.

But, if loss or damage from a "Specified Covered Peril" herein results in loss or damage to covered property, then this policy will cover such ensuing loss or damage not otherwise excepted or excluded from coverage.

- E. Errors in processing or manufacturing of the Insured's products. But if loss or damage from a "Specified Covered Peril" results, to covered property, from such errors in processing or manufacturing then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage;

- F. Ordinary wear, tear, or gradual deterioration. But if loss or damage from a "Specified Covered Peril" results, to covered property, from such wear, tear and gradual deterioration then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
- G. Normal settling, shrinkage or expansion of buildings, foundations or walls, floors, or ceilings. But if loss or damage from a "Specified Covered Peril" results, to covered property, from such settling, shrinkage or expansion then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
- H. Loss of market;
- I. Delay with respects to "Property in Transit";
- J. Against nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) Insured against in this policy; except
- (1) If fire ensues, liability is specifically assumed for direct loss by such ensuing fire but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination;
 - (2) The Company shall be liable for loss or damage caused by sudden and accidental radioactive contamination including resultant radiation damage from material used or stored or from processes conducted on an Insured premises provided at the time of loss there is neither a nuclear reactor capable of sustaining nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the Insured premises.
- K. (1) War, hostile or warlike action in time of peace or war, whether or not declared, including action in hindering, combating or defending against an actual, impending or expected attack:
- (a) By government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval or air forces;
 - (b) By military, naval or air forces; or
 - (c) By an agent of any such government, power, authority or force.
- (2) Any weapon of war employing atomic fission or radioactive force whether in time of peace or war, whether or not its discharge was accidental;
 - (3) Insurrection, rebellion, revolution, civil war, usurped power, or action taken by government authority in hindering, combating, or defending against such an Occurrence, seizure or destruction;
 - (4) Any act of one or more persons, whether known or unknown and whether or not agents of a sovereign power, for "Terrorist Purposes";
 - (5) Hijacking or any unlawful seizure or wrongful exercise or control of any mode of transportation, including but not limited to aircraft, watercraft, truck(s), train(s) or automobile(s), including any attempted seizure of control, made by any person or persons, for Terrorist purposes.

Such loss or damage is excluded regardless of any other cause, event or intervention that contributes concurrently or in any sequence to the loss or damage.

"Terrorist Purpose" shall mean the use or threatened use of any unlawful means, including the use of force or violence against any person(s) or property(ies), for the actual or apparent purpose of intimidating, coercing, punishing or affecting society or some portion of society or government.

- L. Loss or damage caused by or resulting from:

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- (1) "Earthquake" and/or volcanic eruption, unless specified in ITEM 3. of the Declarations and then only for such specified amount;
 - (2) "Flood", unless specified in ITEM 3. of the Declarations, and then only for such specified amount; or
 - (3) Any and all loss from any other cause when occurring concurrently or sequentially with "Earthquake", volcanic eruption or "Flood", except fire, explosion or leakage from fire protective systems or devices; and the limit of insurance hereunder for such fire explosion or leakage from fire protective systems or devices shall be the amount of insurance covering the property or the residual value of the property if the fire explosion or leakage from fire protective systems or devices is preceded by "Earthquake" or volcanic eruption damage or "Flood", whichever is the lesser amount.
- M. Any loss or damage caused by, resulting from, contributed to or made worse by actual alleged or threatened release, discharge escape or dispersal of "Contaminants" or "Pollutants", all whether direct, indirect, proximate or remote or in whole or in part caused by contributed to or aggravated by any physical damage insured by this policy.

Nevertheless, if fire, not otherwise excepted or excluded from coverage, arises directly or indirectly from seepage or contamination or pollution, any loss or damage insured under this policy arising directly from that fire is insured, subject to the provisions of this policy.

"Contaminants" and "Pollutants" shall mean any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste which after its release can cause or threaten damage to human health or human welfare or causes or threatens damage, deterioration, loss of value, marketability or loss of use to property insured hereunder, including, but not limited to, bacteria, fungi, virus, or hazardous substances as listed in the Federal Water, Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, and Toxic Substances Control Act or as designated by the U. S. Environmental Protection Agency. Waste includes materials to be recycled, reconditioned or reclaimed.

This exclusion shall not apply when loss or damage is directly caused by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm, hail, vandalism, malicious mischief. But, this Company shall not be liable for more than \$100,000 as a result of such ensuing loss or damage.

This exclusion shall also not apply when loss or damage is directly caused by leakage or accidental discharge from automatic fire protection systems.

N. This policy does not cover:

- (1) The removal of asbestos, dioxin or polychlorinated biphenols (hereinafter all referred to as "Materials") from any good, product or structure. However, if asbestos is damaged by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm or hail, vandalism, malicious mischief, or leakage or accidental discharge from an automatic fire protection system, the cost of removal shall be covered herein. The coverage afforded by this extension does not apply to the costs of investigation or defense of any loss or damage, or any costs for loss of use expense, fine or penalty or for any expense or claim or suit related to any of the above.
- (2) Demolition or increased cost of reconstruction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating such Materials.
- (3) Any governmental direction or request declaring that such Materials present in, or part of, or utilized on any undamaged portion of the Insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.

O. Notwithstanding any of the provisions of this policy, the Company shall not be liable for loss, damage, costs, expenses, fines or penalties incurred or sustained by or imposed on the Insured at the order of any Government Agency, Court or other Authority arising from any cause whatsoever.

P. This policy does not cover:

- (1) Damage or consequential loss directly or indirectly caused by, consisting of, or arising from, the failure of any computer, data processing equipment, media microchip, operating systems, microprocessors (computer chip), integrated circuit or similar device, or any computer software, whether the property of the Insured or not, and whether occurring before, during or after the year 2000 that results from the inability to:
 - (a) Correctly recognize any date as its true calendar date;
 - (b) Capture, save, or retain, and/or correctly manipulate, interpret or process any data or information or command or instruction as a result of treating any date other than its true calendar date; and/or
 - (c) Capture, save, retain or correctly process any data as a result of the operation of any command which has been programmed into any computer software, being a command which causes the loss of data or the inability to capture, save, retain or correctly process such data on or after any date.
- ~~(2) The repair or modification of any part of an electronic data processing system or its related equipment, to correct deficiencies or features of logic or operation.~~
- (3) Damage or consequential loss arising from the failure, inadequacy, or malfunction of any advice, consultation, design, evaluation, inspection, installation, maintenance, repair or supervision done by the Insured or for the Insured or by or for others to determine, rectify or test, any potential or actual failure, malfunction or inadequacy described in (1) above.

Such damage or consequential loss described in (1), (2) or (3) above, is excluded regardless of any other cause that contributed concurrently or in any other sequence.

This shall not exclude subsequent damage or consequential loss, not otherwise excluded, which itself results from peril or perils covered under this policy.

Q. This policy does not cover damage or consequential loss directly or indirectly caused by, consisting of, or arising from:

- (1) Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility;
- (2) Any corruption, destruction, distortion, erasure or other loss or damage to data, software, or any kind of programming or instruction set; or
- (3) Loss of use or functionality whether partial or entire of data, coding, program, software, any computer or computer system or other device dependent upon any microchip or embedded logic, and any ensuing liability or failure of the Insured to conduct business.

This shall not exclude subsequent damage or consequential loss, not otherwise excluded, which itself results from one or more of the following perils: Fire, Lightning, "Earthquake", Explosion, Falling Aircraft, "Flood", Smoke, Vehicle Impact, Windstorm or Tempest.

Such damage or consequential loss described in (1), (2), or (3) above is excluded regardless of any other cause that contributed concurrently or in any other sequence.

- R. This policy does not cover electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated. But if loss or damage from a "Specified Covered Peril" results, to covered property, from such electrical injury or disturbance, then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage. This exclusion shall not apply to "Electronic Data Processing Equipment" and "Valuable Papers and Records".
- S. This policy does not cover mechanical breakdown. But if loss or damage from a covered peril results from such mechanical breakdown, then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage. This exclusion shall not apply to "Electronic Data Processing Equipment" and "Valuable Papers and Records".
- T. This policy does not cover explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines or steam engines owned or operated by the Insured. But if loss or damage from a "Specified Covered Peril" results, to covered property, from such explosion, rupture, or bursting, then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage.

As used in Section 10. above, "Specified Covered Peril" shall mean fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, leakage from fire extinguishing systems, falling objects, weight of snow or ice or sleet, water damage.

11. VALUATION

At the time of loss, the value of covered property, unless otherwise endorsed herein, shall be as follows:

- A. Real and/or Personal Property at replacement cost without deduction for depreciation except as provided below or by endorsement.
- (1) The Company's liability for loss on a replacement cost basis shall not exceed the smallest of the following amounts:
 - (a) The limit of this policy applicable to the damaged or destroyed property;
 - (b) The replacement cost of the property or any part thereof identical with such property on the same premises and intended for the same occupancy and use; or
 - (c) The amount actually and necessarily expended in repairing or replacing said property or any part thereof.
 - (2) The Company shall not be liable under this clause for any loss, occasioned directly or indirectly by the enforcement of any ordinance or law regulating the use, construction, repair or demolition of property unless such liability has been specifically assumed under this policy;
 - (3) If the property is not repaired or replaced within a reasonable period from the date of loss, the valuation is to be on an Actual Cash Value basis measured at the time of loss. Actual Cash Value shall mean the lesser of:
 - (a) Replacement cost less depreciation; or
 - (b) Market value.
- B. Contractors Equipment at not more than the Actual Cash Value of the property at the time of loss or damage with proper deduction for depreciation.
- C. Property of others at the amount for which the Insured is liable but in no event to exceed replacement cost plus the cost of labor performed and materials expended thereon at the time of loss.

D. Tenant's Improvement and Betterments:

- (1) If repaired or replaced at the expense of the Insured within a reasonable period from the time of loss, the replacement cost of the damaged or destroyed improvements and betterments.
- (2) If not repaired or replaced within a reasonable period from the time of loss, the proportion of the original cost at the time of installation of the damaged or destroyed property which the unexpired term of the lease or rental agreement, whether written or oral, in effect at time of loss bears to the period from the date such improvements or betterments were made to the expiration date of the lease.
- (3) If repaired or replaced at the expense of others, there shall be no liability hereunder.

E. Mercantile Stock: stock actually sold but not delivered at the price at which it was sold, less all discounts and unincurred expenses.

F. Manufacturer's Finished Stock: finished stock manufactured by the Insured at the price, less all discounts and unincurred expenses, for which the stock has been or would have been sold had no loss occurred.

G. "Valuable Papers and Records" and media: The cost to repair or replace the property with other property of like kind and quality including the cost of gathering and/or assembling information, but only if such property is actually repaired or replaced.

H. Patterns and dies: Replacement cost if actually replaced within twelve months following the date of loss otherwise at scrap value.

I. "Electronic Data Processing Equipment": The actual cost to repair or replace the lost or damaged property with new property of the same kind, quality and capability, on the same site and used for the same purpose.

J. "Electronic Data Processing Media": The actual cost to repair or replace the property with other property of like kind and quality.

K. "Electronic Data Processing Data" and "Electronic Data Processing Programs": The actual cost to reproduce the data and programs, up to the limit of coverage, if the data and programs are actually reproduced. Such costs shall include any additional reasonable expense incurred in reproducing the data and programs, to continue normal computer operations. There shall be no liability hereunder for data and programs that cannot be reproduced due to lack of backup, support documentation or records unless such articles are described and specific limits shown in this policy.

L. Fine Arts: The appraised value; or, if there is no appraisal at the greater of:

- (1) the original acquisition cost, or
- (2) the market value at the time of loss.

M. All property not otherwise described: The Actual Cash Value of the property at the time the loss or damage occurs being replacement cost less depreciation.

12. FLOOD

With respect to the peril "Flood", any and all losses from this cause within a 72-hour period shall be deemed to be one loss insofar as the Limit of Liability and Deductible provisions of this policy are concerned.

The Company shall not be liable for any loss caused by any Flood which commences before the effective date and time of this policy, however, the Company will be liable for any loss occurring for a period of up to seventy-two (72) hours after the expiration of this policy provided that the first flood damage occurs prior to the date and time of the expiration of this policy.

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"Flood" shall mean "Surface Water", waves, tide, or tidal water and the rising (including overflowing or breaking of boundaries) of lakes, ponds, reservoirs, rivers, streams, harbors and similar bodies of water. "Surface Water", as insured hereunder, shall mean seepage, leakage or influx of water (immediately derived from natural sources) through sidewalks, driveways, foundations, walls, basements or other floors, or through doors, windows or any other openings in such sidewalks, foundations, walls or floors; and shall also include all water which backs up through sewers and drains.

13. EARTHQUAKE

Each loss by "Earthquake" shall constitute a single claim hereunder; provided, if more than one earthquake shock shall occur within any period of one hundred sixty eight hours (168) hours during the term of this policy such "Earthquake" shall be deemed to be a single "Earthquake" within the meaning hereof. The Company shall not be liable for any loss caused by any "Earthquake" occurring before the effective date and time of this policy, however, the Company will be liable for any losses occurring for a period of up to one hundred sixty eight (168) hours after the expiration of this policy provided that the first earthquake shock or damage occurs prior to the date and time of the expiration of this policy.

"Earthquake" shall mean; earth shock, volcanic action, landslide, mudslide, earth movement, earth sinking, earth rising or shifting.

14. CONTRIBUTING INSURANCE

Contributing insurance is insurance covering in the same manner and layer as this insurance which is not designated as and notified to the Company as primary or excess with respect to the insurance provided in this policy. This insurance shall contribute in accordance with the conditions of this policy, only to the extent of proportion that the applicable limit under this policy bears to the total limits of all policies covering in the same manner and layer as this insurance.

15. EXCESS INSURANCE

Excess insurance is insurance over the limit of liability set forth in this policy. The existence of such excess insurance shall not prejudice the coverage provided under this policy nor will it reduce any liability hereunder.

16. OTHER INSURANCE

Except for insurance described in the Contributing Insurance Clause, or the Excess Insurance Clause, this policy shall not cover to the extent of any other insurance, whether prior or subsequent hereto in date, and whether directly or indirectly covering the same property against the same perils and whether collectible or not. This Company shall be liable for loss or damage only to the extent of that amount excess of such other insurance.

17. SUBROGATION

A. In the event of any payment under this policy, this Company shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefor. The Insured shall execute all papers required and shall do anything that may be necessary at the expense of the Company to secure such right. The Company will act in concert with all other interests concerned, i.e., the Insured and other company(ies) participating in the payment of any loss as primary or excess insurers, in the exercise of such rights of recovery. If any amount is recovered as a result of such proceedings the costs of recovery shall be divided between the interests concerned in the proportion of their respective interests. Priority of recovery shall be, up to the amount(s) of their loss payment(s):

- (1) excess insurer(s);
- (2) primary insurer(s);
- (3) the Insured;

until the amount of recovery, less expenses, is exhausted. If there should be no recovery, the expenses of proceedings shall be borne proportionately by the interests instituting the proceedings.

- B. The Insured shall not do anything after a loss to jeopardize the Company's rights of subrogation. Any release from liability entered into by the Insured in writing prior to loss hereunder shall not affect this policy for the right of the Insured to recover hereunder. The right of subrogation against the Insured or subsidiary or affiliated companies or any other companies associated with the Insured through ownership or management is waived.

18. SALVAGE AND RECOVERIES

All salvages, recoveries and payments excluding proceeds from subrogation recovered or received subsequent to a loss settlement under this policy shall be applied as if recovered or received prior to the said settlement and shall accrue entirely to the Company until the sum paid by the Company has been recovered.

19. BRANDS OR TRADEMARKS

In case of damage by a peril Insured against to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the Insurer, of all such brands or trademarks or other identifying characteristics.

20. CONTROL OF SALVAGE

The Insured shall have full right to the possession of all goods involved in any loss under this policy and shall retain control of all damaged goods. The Insured, exercising a reasonable discretion, shall be the sole judge as to whether the goods involved in any loss under this policy are fit for consumption and no goods so deemed by the Insured to be unfit for consumption shall be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow this Company any salvage obtained by the Insured on any sale or other disposition of such goods.

21. MACHINERY

In case of loss or damage by a peril insured against to any part of a machine or unit held either for sale or use consisting of two or more parts when complete, the liability of the Company shall be limited to the value of the part or parts lost or damaged or, at the Insured's option, to the cost and expense of replacing or duplicating the lost or damaged part or parts or of repairing the machine or unit provided that such option shall not exceed the lowest of the above.

22. PAIR AND SET

Except as provided under the Machinery clause, in the event of loss or damage by a peril insured against to any article or articles which are a part of a pair or set, the measure of loss or damage to such article or articles shall be a reasonable and fair proportion of the total value of the pair or set, giving consideration to the importance of said article or articles, but in no event shall such loss or damage be construed to mean total loss of the pair or set.

23. NOTICE OF LOSS

The Insured shall, as soon as practicable, report to this Company or its agent every loss, damage or Occurrence that may give rise to a claim under this policy.

24. PROOF OF LOSS

The Insured shall complete and sign a sworn proof of loss within ninety (90) days after the Occurrence of a loss (unless such period be extended by the written agreement of the Company) stating the time, place and cause of loss, the interest of the Insured and of all others in the property, the sound value thereof and the amount of loss or damage thereto, and all other insurance thereon.

25. PAYMENT OF LOSS

All adjusted claims shall be due and payable thirty (30) days after the presentation and acceptance of satisfactory proof(s) of loss at the office of the Company at 225 Franklin St., Boston, Massachusetts 02110-2804.

26. PARTIAL PAYMENT OF LOSS

It is understood that the Company may make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions. The Insured shall submit a partial Proof of Loss with all supporting documentation, at the request of the Company, to obtain such partial payment of claim.

27. AUTOMATIC REINSTATEMENT OF LIMITS

With the exception of loss caused by perils which are subject to annual aggregate limits as noted in the Limits of Liability clause, any loss hereunder shall not reduce the amount of this policy.

28. SUIT AGAINST THE COMPANY

No suit or action on this policy for the recovery of any claim shall be sustainable in any court of law or equity unless all the requirements of this policy shall have been complied with, and unless commenced within twenty-four months next after inception of the loss.

29. APPRAISAL

If the Insured and the Company fail to agree on the amount of loss, each upon written demand either of the Insured or of the Company made within sixty (60) days after receipt of proof of loss by the Company, shall select a competent and disinterested appraiser. The appraisers shall then select a competent and disinterested umpire. If they should fail for fifteen (15) days to agree upon such umpire, then upon the request of the Insured or of the Company such an umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. Then at a reasonable time and place, the appraisers shall appraise the loss stating separately the value at the time of loss and the amount of loss. If the appraisers fail to agree, they shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Insured and the Company shall each pay his or its chosen appraiser and shall bear equally the other expense of the appraisal and of the umpire. For the purposes of this provision, values as stated above shall mean that value used by the Insured in making annual reports under this insurance.

30. ASSISTANCE AND COOPERATION OF THE INSURED

The Insured shall cooperate with the Company, and, upon the Company's request and expense, shall attend hearings and trials and shall assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses, and in conducting suits.

31. SUE AND LABOR

In case of actual (or imminent, with prior notice to and approval from this Company) loss or damage by a peril Insured against, it shall, without prejudice to the insurance, be lawful and necessary for the Insured, their factors, servants, or assigns to sue, labor, and travel for, in, and about the defense, the safeguard, and the recovery of the property, or any part of the property, insured hereunder without prejudice to this insurance; nor, in the event of loss or damage, shall the acts of the Insured or of the Company in recovery, saving, and preserving the insured property be considered a waiver or an acceptance of abandonment. The expenses so incurred shall be borne by the Insured and the Company in accordance with the policy conditions in regard to losses including deductible application.

32. CANCELLATION

- A. This policy may be cancelled by the Insured by surrender thereof to the Company or by mailing to the Company written notice stating when thereafter such cancellation shall be effective.
- B. This policy may be cancelled by the Company by mailing to the Insured, at the mailing address shown in this policy or last known address, written notice, stating when, not less than 60 days thereafter (10 days for non-payment of premium) such cancellation shall be effective.
- C. The effectiveness of cancellation is not dependent on the return of unearned premium with the notice. Proof of mailing of notice as aforesaid shall be sufficient proof of notice. The effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or the Company shall be equivalent to mailing.

- D. If there are no "Tier 1" locations (as defined in paragraph B3) of Section 4. Deductibles, in this policy) and the Insured cancels, earned premium shall be computed in accordance with the customary short rate table and procedure. Please see Section 33. Special Catastrophe Earned Premium Provision if there are "Tier 1" locations. If the Company cancels, earned premium shall be computed pro rata. Premium adjustment shall be made as soon as practicable after cancellation becomes effective.

33. SPECIAL CATASTROPHE EARNED PREMIUM PROVISION

- A. If this policy is canceled by the insured or if the amount of insurance on any "Tier 1" location (as defined in paragraph B3) of Section 4. Deductibles, in this policy) is reduced, and no coverage existed from June 1 to November 30, the return premium is 90% of the pro-rata subject to any minimum earned premium stipulations in the policy.
- B. If coverage existed on any "Tier 1" location at any time during the period from June 1 to November 30, the amount of premium returned will be a percentage of the total premium determined as follows:

| Days Policy in Force | Unearned Factor |
|----------------------|-----------------|
| 1 - 180 | 20% |
| 181 - 210 | 15% |
| 211 - 240 | 10% |
| 241 - 270 | 7.50% |
| 271 - 300 | 5% |
| 301 - 330 | 2.50% |
| 331 - 365 | 0% |

- C. If "Tier 1" locations are added during the term of the policy, the rate will be calculated as 100% of the annual rate, less the Unearned Factor in Item 2 above.
- D. The provisions of this section are in addition to and do not alter any minimum earned premium provisions in the policy or its attachments.

34. PROTECTION MAINTENANCE

It is agreed that any protection provided for the safety of the insured property shall be maintained in good order throughout the currency of this policy and shall be in use at all times and that such protection shall not be withdrawn or varied to the detriment of the interests of the Company without their consent.

35. INSPECTION AND AUDIT

The Company shall be permitted but not obligated to inspect the Insured's property at any time. Neither the company's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe.

The Company may examine and audit the Insured's books and records at any time during the Policy period and extensions thereof and within three years after the final termination of this policy, as far as they relate to the subject matter of this insurance.

36. ABANDONMENT

There shall be no abandonment to the Company of any property.

37. VACANCY AND/OR UNOCCUPANCY

Unless otherwise endorsed hereto, this Company shall not be liable for loss or damage to any property that has remained vacant or unoccupied for a period of sixty (60) or more days.

38. FALSE OR FRAUDULENT CLAIMS

If the Insured shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Policy shall become void, and all claims hereunder shall be forfeited.

39. ASSIGNMENT

Assignment or transfer of this Policy shall not be valid except with the written consent of the Underwriters.

40. MORTGAGE CLAUSE

Loss or damage, if any, under this policy shall be payable to the mortgagee(s), as scheduled on this policy, as their interest(s) may appear, and this insurance, as to the interest(s) of mortgagee(s) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the described property, nor by any change in title or ownership of the property, nor by occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee shall, on demand, pay the same. Provided also, that the mortgagee shall notify this Company of any change of ownership or occupancy or increase of hazard which shall come to the knowledge of said mortgagee and, unless permitted by this policy, it shall be noted thereon and the mortgagee shall, on demand, pay the premium for such increased hazard for the term of use thereof; otherwise this policy shall be null and void. Provided also, that in case the mortgagor shall neglect to provide Proof of Loss under the conditions of this policy, the mortgagor within 90 days of notice by this Company shall submit such Proof of Loss.

This Company reserves the right to cancel this policy at any time as provided by its terms, but in such case this ~~policy shall continue in force for the benefit only of the mortgagee for ten (10) days after notice to the~~ mortgagee of such cancellation and shall then cease and this Company shall have the right, on like notice, to cancel this agreement.

Whenever the Company shall pay the mortgagee any sum for loss or damage under this policy and shall claim that, as to the mortgagor or owner, no liability therefore existed, the Company shall, to the extent of such payment, be thereupon legally subrogated to all the rights of the party to whom such payment shall be made.

41. FULL WAIVER

The terms and conditions of this form and endorsements are substituted for those of the policy to which it is attached, terms and conditions and endorsements of latter being waived.

42. ERRORS & OMISSIONS

Any unintentional error or omission made by the Insured in reporting locations or values shall not void or impair the insurance hereunder provided the Insured reports such error or omission as soon as reasonably possible after discovery and pays appropriate premium thereon.

43. CONFORMITY TO STATUTE

Terms of this policy in conflict with the written laws of any state in which this policy is issued, which are applicable to this policy, are changed to conform to such laws.

44. TITLES OF PARAGRAPHS

The titles of the paragraphs of this form and of endorsements and supplemental contracts, if any, nor or hereafter attached hereto are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

ENDORSEMENT

In consideration of the premium charged, it is hereby understood and agreed the following changes have been made to the policy;

Equipment Breakdown Coverage has been added to form a part of the policy as per the attached form.

All other forms and conditions remain unchanged.

Endorsement No.: Exhibit A
Effective 12:01 AM: 10/18/2017
Forms a part of Policy No.: 5121-0110-04
Issued to: Porter's Neck Country Club, Inc
By: Allied World Assurance Company

Authorized Signature

AWBlank 0105

EQUIPMENT BREAKDOWN COVERAGE

This Endorsement modifies insurance provided under the following:

THE APPROACH ALL RISK PROPERTY FORM

| Equipment Breakdown Schedule | |
|---|------------------------|
| Equipment Breakdown Limits of Insurance: | |
| Perishable Goods | \$25,000 |
| Expediting Expenses | \$25,000 |
| Pollution Clean Up and Removal | \$25,000 |
| Data and Media | \$25,000 |
| Demolition and Increased Cost of Construction | \$25,000 |
| Water Damage | \$10,000 |
| Deductibles: | |
| Direct Damage | \$25,000 |
| Business Income and Extra Expense | 24 Hour Waiting Period |
| Perishable Goods | 12 Hour Waiting Period |
| Utility Interruption – Waiting Period | 12 Hour |
| Other: | |

EQUIPMENT BREAKDOWN COVERAGE

With regard to:

- A. Building And Personal Property Coverage Form, we will pay for direct physical loss to Covered Property caused by or resulting from a "breakdown" to "covered equipment". With respect to otherwise covered Business Income and Extra Expense, "breakdown" to "covered equipment" will be considered a Covered Cause of Loss. The following is added to paragraph A.4. Additional Coverages;
- B. Manuscript All Risk Form, the Perils insured against are extended to include direct physical loss caused by a "breakdown" to "covered equipment" as defined and limited in this Endorsement. The following is added to paragraph 7. Coverage:

Equipment Breakdown Coverage

1. Coverage provided by this Endorsement shall be subject to the applicable deductible as shown in the Equipment Breakdown Schedule.
2. **"Breakdown"**
 - a. "Breakdown" means:
 - (1) Failure of pressure or vacuum equipment;
 - (2) Mechanical failure including rupture or bursting caused by centrifugal force; or
 - (3) Electrical failure caused by artificially generated electric current, including arcing; that causes direct physical loss or damage to "covered equipment" and necessitates its repair or replacement.
 - b. "Breakdown" does not mean:
 - (1) Cracking of any part on an internal combustion gas turbine exposed to the products of combustion;
 - (2) Damage to any structure or foundation supporting the "covered equipment" or any of its parts;
 - (3) Damage to any vacuum tube, gas tube, or brush;
 - (4) Defects, erasures, errors, limitations or viruses in "computer equipment", data, "media" and/or programs including the inability to recognize and process any date or time or provide instruct-

tions to "covered equipment". However, if a "breakdown" ensues, we will pay the ensuing loss or damage not otherwise excluded;

(5) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;

(6) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification; or

(7) The functioning of any safety or protective device.

c. If an initial "breakdown" causes other "breakdowns", all will be considered one "breakdown". All "breakdowns" that manifest themselves at the same time and are the result of the same cause will also be considered one "breakdown".

3. **"Covered Equipment"**

a. "Covered equipment" means any Covered Property that is:

- (1) Equipment designed and built to operate under internal pressure or vacuum other than weight of contents. For any boiler or fired vessel, the furnace of the "covered equipment" and the gas passages from there to the atmosphere will be considered as outside the "covered equipment";
- (2) Communication equipment and "computer equipment";
- (3) Fiber optic cable; or
- (4) Any other electrical or mechanical equipment that is used in the generation, transmission or utilization of energy.

b. "Covered equipment" does not mean any:

- (1) ~~Astronomical telescope, cyclotron, nuclear reactor, particle accelerator, satellites and/or spacecraft~~ (including satellite or ~~spacecraft contents and/or their launch sites~~);
- (2) Catalyst;
- (3) Dragline, power shovel, excavation or construction equipment including any "covered equipment" mounted on or used solely with any dragline, power shovel, excavation or construction equipment;
- (4) Elevator or escalator, but not excluding any electrical machine or apparatus mounted on or used with this equipment;
- (5) Equipment or any part of equipment manufactured by you for sale;
- (6) Felt, wire, screen, mold, form, pattern, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement;
- (7) Insulating or refractory material;
- (8) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or a Code that has been accepted by the National Board of Boiler and Pressure Vessel Inspectors;
- (9) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
- (10) Pressure vessels and piping that are buried below ground and require the excavation of materials to inspect, remove, repair or replace; except those forming part of the Insured's irrigation or sprinkler system used to maintain "Golf Holes" as defined in the Manuscript All Risk Form;
- (11) Structure, foundation, cabinet or compartment supporting or containing the "covered equipment" or part of the "covered equipment" including penstock, draft tube or well casing;
- (12) Vehicle, aircraft, self-propelled equipment or floating vessel, including any "covered equipment" mounted on or used solely with any vehicle, aircraft, self-propelled equipment or floating vessel; or
- (13) "Media".

4. **Property Not Covered.** With regard to the coverage provided by this Endorsement only, A.2.b. in the Building and Personal Property Coverage Form is deleted and replaced by the following:

b. Animals.

With regard to the coverage provided by this Endorsement only, the following is added Property Excluded in the Manuscript All Risk Form: Animals.

5. **Equipment Breakdown Coverage Extensions.** The following coverages also apply to loss or damage caused by or resulting from a "breakdown" to "covered equipment". These Equipment Breakdown Coverage Extensions do not provide additional amounts of insurance. The limits provided are part of, not in addition to, the Limit of Insurance that applies to the damaged Covered Property.

a. **Perishable Goods.**

(1) We will pay for:

- (a) Your loss of "perishable goods" due to spoilage;
- (b) Your loss of "perishable goods" due to spoilage that is caused by or results from an interruption in utility services that is the direct result of a "breakdown" to "covered equipment" that is owned by a utility, landlord, or other supplier with whom you have a contract to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam. Coverage for such loss will begin 12 hours after the time the "breakdown" causes the interruption of the utility service; or
- (c) Your loss of "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia.

We will also pay any necessary expense you incur to reduce the amount of loss under this coverage. We will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

- (2) If you are unable to replace the "perishable goods" before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "breakdown", less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Loss Payment Condition.

- (3) The most we will pay for any loss or expense under this Equipment Breakdown Coverage Extension is \$25,000 or the Limit of Insurance for Perishable Goods shown on the Equipment Breakdown Schedule, whichever is greater.

b. **Expediting Expenses.**

- (1) With respect to your damaged Covered Property, we will pay the reasonable extra cost to make temporary repairs and expedite permanent repairs or permanent replacement.
- (2) Expediting expenses include overtime wages and the extra cost of express or other rapid means of transportation.
- (3) The most we will pay for Expediting Expenses is \$25,000 or the Limit of Insurance for Expediting Expenses shown on the Equipment Breakdown Schedule, whichever is greater.

- c. **Utility Interruption.** The insurance provided for Business Income and/or Extra Expense, if covered elsewhere in the policy, is extended to apply to loss caused by or resulting from an interruption in utility services that is a direct result of a "breakdown" to "covered equipment" that is owned by a utility, landlord, or other supplier with whom you have a contract to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam.

Coverage for Utility Interruption will begin 12 hours, or the time shown for Utility Interruption-Waiting Period in the Equipment Breakdown Schedule, after the time the "breakdown" causes the interruption of the utility service.

- d. **Drying Out.** If electrical "covered equipment" requires drying out as a result of a flood, waves, tides, tidal waves, or overflow of any body of water or their spray, even if driven by wind, we will pay for the direct expense of drying out such electrical "covered equipment". The most we will pay for such expense under this Equipment Breakdown Coverage Extension is the least of:

- (1) \$10,000;
- (2) the Limit of Insurance shown on the Declaration for the applicable covered property; or
- (3) the value of such damaged electrical "covered equipment".

Coverage provided by this extension does not include the cost to replace such equipment or any other loss, damage or expense that is caused by or results directly or indirectly from flood, waves, tides, tidal waves, or overflow of any body of water or their spray, even if driven by wind.

- e. **Pollution Clean Up and Removal.** With regard to coverage provided under this Endorsement only, Additional Coverage A.4.d. in the Building and Personal Property Coverage Form is deleted and replaced by the following:

- d. We will pay your expense to extract "pollutants" from land or water at the described premises and the cost for clean-up, repair, replacement or disposal of Covered Property at the described premises if the discharge, dispersal, seepage, migration, release or escape of such "pollutants" is caused by or results from a "breakdown" to "covered equipment" that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which such "breakdown" occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants". But we will pay for testing which is performed in the course of extracting the "pollutants" from the land, water or the clean-up, repair, replacement, or disposal of Covered Property.

The most we will pay under this Additional Coverage, including any loss covered under any applicable Business Income or Extra Expense coverage, for the sum of all covered expenses is \$25,000 or the Limit of Insurance for Pollution Clean Up and Removal shown on the Equipment Breakdown Schedule, whichever is greater.

The coverage provided by this Additional Coverage does not include loss to "perishable goods" due to contamination from the release of a refrigerant.

- f. **Data and Media.** We will pay your cost to research, replace and restore data, including programs and operating systems that are lost or corrupted due to a "breakdown". We will also pay for loss or damage to "media" caused by a "breakdown". The most we will pay under this Coverage Extension for the sum of all covered expenses, including any loss covered under any applicable Business Income and Extra Expense coverage is \$25,000 or the Limit of Insurance for Data and Media shown on the Equipment Breakdown Schedule, whichever is greater.

- g. **Demolition and Increased Cost of Construction.**

The following applies despite the Ordinance or Law Exclusion. If a "breakdown" to "covered equipment" damages a building that is Covered Property that is insured at replacement cost, and the loss is increased by the enforcement of any laws or ordinances that are in force at the time of the "breakdown" and which regulate the demolition, construction, repair or use of the building or structure the following apply:

- (1) We will pay for:

- (a) Your actual cost to demolish and clear the site of the undamaged parts of the same building or structure as a consequence of enforcement of an ordinance or law that requires the demolition of such undamaged property; and
(b) Your actual expenditures for increased costs to repair, rebuild, or construct the building. If the building is repaired, rebuilt or constructed, it must be intended for a similar use or occupancy as the current building, unless otherwise required by zoning or land use ordinance or law;

- (2) With regard to otherwise covered Business Income and Extra Expense coverage, the "period of restoration" is extended to include the additional period of time required for demolition and to meet the minimum requirement of any ordinance or law enforcement at the time of the "breakdown".

- (3) We will not pay for any:

- (a) Fine;
(b) Liability to a third party;
(c) Increase in loss due to a "pollutant"; or
(d) Demolition cost until the undamaged portions of the building are actually demolished;

- (e) Increased construction costs until the building is actually rebuilt and replaced;
- (f) Increases in loss, excess of the amount required to meet the minimum requirement of any ordinance or law enforcement at the time of the "breakdown"; or
- (g) Loss due to any ordinance or law that you were required to comply with before the "breakdown", even if the building was undamaged, and with which you failed to comply.

The most we will pay under this Coverage Extension for the sum of all covered expenses, including any loss covered under any applicable Business Income and Extra Expense coverage, is \$25,000 or the Limit of Insurance for Demolition and Increased Cost of Construction shown on the Equipment Breakdown Schedule, whichever is greater.

6. Equipment Breakdown Exclusions. With regard to coverage provided under this Endorsement only, the following changes are made:

- a. The following Exclusions are deleted from the Causes of Loss – Special form: B.2.a.; B.2.d.(6); and B.2.e.
- b. Exclusion B.2.i. from the Causes of Loss – Special form, is deleted and replaced by the following:
 - i. Discharge, dispersal, seepage, migration, release or escape of "pollutants". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "breakdown" to "covered equipment", we will pay for the loss or damage caused by that "breakdown".
- c. The last paragraph of Exclusion B.2.d. from the Causes of Loss – Special form is deleted and replaced by the following:

But if an excluded cause of loss that is listed in **2.d.(1)** through **(7)** results in a "breakdown", we will pay the resulting loss or damage not otherwise excluded.

- d. The following exclusions apply to the coverage provided under this Endorsement in addition to the other exclusions, except as deleted in A.6.a. above, in the Coverage Form to which this Endorsement applies.

We will not pay under this Endorsement for loss or damage caused directly or indirectly by any of the following:

- (1) Any of the following tests:
 - (a) A hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel; or
 - (b) An insulation breakdown test of any type of electrical equipment;
- (2) Fire including fire resulting from a "breakdown";
- (3) Combustion explosion;
- (4) Explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass;
- (5) An explosion. However, we will pay for direct loss or damage caused by an explosion of "covered equipment" of a kind specified in a. through f. below, if not otherwise excluded:
 - a. Steam boiler;
 - b. Electric steam generator;
 - c. Steam piping;
 - d. Steam turbine;
 - e. Steam engine; or
 - f. Gas turbine or any other moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown.
- (6) With respect to Utility Interruption and paragraph (1)(b) of Perishable Goods coverage, we will not pay for loss caused by or resulting from: Lightning; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; falling objects; water damage caused by the discharge or leakage of sprinkler system, sewer piping or domestic water piping; water or other means used to extinguish a fire, even when the attempt is unsuccessful; weight of snow, ice or sleet; freezing due to cold weather; molten material; or collapse.

7. Equipment Breakdown Limitations.

With regard to this Endorsement only, the following Limitations are deleted from the Causes of Loss – Special Form: C.1.a. and C.1.b.

8. Limits of Insurance

- a. The most we will pay for loss or damage in any one "breakdown" is the applicable Limit of Insurance shown in the Declarations. The limits provided for the Equipment Breakdown Coverage Extensions are part of, not in addition to, the Limit of Insurance shown in the Declarations that applies to the damaged Covered Property.

The coverage provided by this Endorsement is part of, not in addition to, the Limits of Insurance shown in the Declarations.

- b. The most we will pay for water damage that results from a "breakdown" to "covered equipment" is the Limit of Insurance for Water Damage shown on the Equipment Breakdown Schedule. However, if a Limit of Insurance is not shown on the Equipment Breakdown Schedule, the applicable Limit of Insurance for Building and Business Personal Property will apply.

9. Deductible

If an amount is shown in the Deductible section of the Equipment Breakdown Schedule, the following will apply; otherwise the deductible shown in the Declaration for the applicable coverage will apply.

The Paragraph entitled- Deductibles of the applicable coverage form is deleted and replaced by:

- a. In any one "breakdown", we will first reduce the amount of loss if required by the Coinsurance Condition or the Agreed Value Optional Coverage. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

The deductibles listed in the Equipment Breakdown Schedule shall be applied separately to the applicable coverage as follows:

(1) Dollar Deductible

If a dollar deductible is shown in the above schedule, we will first subtract the deductible amount from any loss we would otherwise pay.

(2) Multiple per Unit Deductible

If a multiple of units is shown in the above schedule, the deductible will be calculated as the sum of the multiplier times the number of units specified. (For example: if the deductible is specified as \$25/hp for air conditioning units, and a covered 500 hp air conditioning unit suffered a "Breakdown", the deductible will be \$25 times 500 hp which equals \$12,500.)

(3) Time Deductible

If a time deductible is shown in the above schedule, we will not be liable for any loss under that coverage that occurs during that specified time period immediately following a "Breakdown". If a time deductible is shown in days, each day shall mean twenty-four consecutive hours.

(4) Multiple of Daily Value Deductible

If a multiple of daily value is shown in the above schedule, this deductible will be calculated as follows:

- (a) For the entire premise described in the Declarations where the loss occurred, determine the total amount of Business Income that would have been earned during the "Period of Restoration" had no "Breakdown" taken place.
- (b) Divide the result in Paragraph (1) by the number of days the business would have been open during the "Period of Restoration". The result is the daily value.
- (c) Multiply the daily value in Paragraph (2) by the number of daily value multiples shown in the above schedule. We will first subtract this deductible amount from any loss we would

to the applicable Limit of Insurance.

(5) Percentage of Loss Deductible

If a deductible is expressed as a percentage of loss in the above schedule, we will not be liable for the indicated percentage of the gross amount of loss or damage insured under the applicable coverage.

(6) Minimum Or Maximum Deductible

(a) If:

- (i) A minimum dollar amount deductible is shown in the above schedule; and
- (ii) The dollar amount of the Multiple per Unit, Multiple of Daily Value or the Percentage of Loss Deductible is less than the Minimum Deductible;
then the Minimum Deductible amount shown in the above schedule will be the applicable deductible.

(b) If:

- (i) A maximum dollar amount deductible is shown in the above schedule; and
- (ii) The dollar amount of the Multiple per Unit, Multiple of Daily Value or the Percentage of Loss Deductible is greater than the Maximum Deductible;
then the Maximum Deductible amount shown in the above schedule will be the applicable deductible.

- b. If more than one deductible applies to a single coverage, then only one deductible, the highest, will apply to that coverage.

- 10 The following provision applies to the coverage provided by this Endorsement only and in addition to the provisions in the Loss Payment section of the Coverage Form to which this Endorsement applies:

New Generation. You may replace damaged "Covered Equipment" with a newer generation "Covered Equipment" of the same capacity which improves the environment, increases efficiency or enhances safety. We will pay up to an additional 25% of the covered property damage amount for the "Covered Equipment". This additional amount is included in, not in addition to, the applicable Limit of Insurance for Covered Property.

11. With respect to the coverage provided under this Endorsement, the following are added to the Additional Conditions section of the Coverage Form to which this Endorsement applies:

a. Jurisdictional Inspections

- (1) We agree to provide pressure vessel certificate-of-operation engineering services where:
 - (a) The certificate-of-operation is required by state, city or provincial law; and
 - (b) The state, city or provincial law permits inspections by insurance company employees.
- (2) If we receive notification of a pressure vessel certificate-of-operation inspection due date less than 30 (thirty) days prior to the expiration of the certificate-of-operation, we will not be responsible for:
 - (a) Any fine or other penalty that may be assessed; or
 - (b) Any liability that may arise due to the fact that the inspection was not performed prior to the certificate-of-operation due date.
- (3) Certificate-of-operation engineering services will not be provided for any location, other than in the United States of America, Puerto Rico or Canada.

b. Suspension

- (1) Whenever "covered equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the coverage provided by this Endorsement. We will deliver or mail a written notice of suspension to your last known address or the address where the "covered equipment" is located.
- (2) Once suspended in this way, your coverage can be reinstated only by an Endorsement for that "covered equipment".


(3) If we suspend your coverage, you will get a pro rata refund of premium for that "covered equipment". But the suspension will be effective even if we have not yet made or offered a refund.

12. With regard to the coverage provided by this Endorsement, the following definitions apply in addition to the definitions provided in the Coverage Form to which this Endorsement applies:
- a. **"Computer equipment"** means your programmable electronic equipment that is used to store, retrieve and process data; and associated peripheral equipment that provides communication including input and output functions such as printing or auxiliary functions such as data transmission. It does not include data or "media".
 - b. **"Media"** means electronic data processing or storage material such as films, tapes, discs, drums or cells.
 - c. **"Perishable goods"** means personal property maintained under controlled conditions for its preservation and susceptible to loss or damage if the controlled conditions change.

All other terms and conditions remain the same.

Endorsement No.: Exhibit A
Effective 12:01 AM: 10/18/2017
Forms a part of Policy No.: 5121-0110-04

Issued to: Porter's Neck Country Club, Inc
By: Allied World Assurance Company


Authorized Signature

ENDORSEMENT NO. Exhibit B – Policy Form

**BLANKET LOSS PAYEE
LEASED EQUIPMENT**

This Endorsement, effective at 12:01 a.m. on 10/18/2017, forms part of

Policy No. 5121-0110-04
Issued to Porter's Neck Country Club, Inc
Issued by Allied World Assurance Company

In consideration of the additional premium charged, this Endorsement modifies the insurance provided under the following coverage form:

THE APPROACH ALL RISK PROPERTY FORM

ITEM 5. LOSS PAYEE is amended to include the following:

~~Solely with respect to covered leased equipment listed in the Declarations or any endorsement attached to this policy, the following shall be considered a Loss Payee:~~

Any person(s) or organization(s) with whom you have entered into a written contract or agreement, prior to any covered loss or damage, that requires such person(s) or organization(s) to be listed as a loss payee on your policy, solely as their interest(s) may appear under that agreement.

Such person or organization is automatically added as a loss payee as of the effective date of signing such contract or agreement.

For covered equipment in which both you and a loss payee have an insurable interest, the Company will:

1. Adjust losses with you; and
2. Pay any covered claim for loss or damage jointly to you and the Loss Payee.

All other terms and conditions remain unchanged.

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